Gamuda (GAM MK)

Standing The Test Of Time, Execution Under Spotlight

HOLD (Downgraded)

Share Price	RM5.60
Target Price	RM5.75
Upside	2.7%

Highlights

- **Gamuda cultivated a stellar outperformance,** lifted by compounding orderbook growth amid a sector upcycle and deepening exposure in key markets.
- That said, the current record-high orderbook requires more time to be digested into exponential earnings delivery in FY26-28.
- **Downgrade to HOLD with a target price of RM5.75** as valuations appear fair after an impressive rally.

Analysis

- **Phenomenal orderbook replenishments levelling expectations.** Gamuda secured RM17.6b worth of contracts in FY25 and RM2.6b orderbooks in FY26 thus far, lifting the outstanding orderbook to record-high RM39.8b. Assuming a RM3b quarterly orderbook burn rate, Gamuda has to secure at least RM8b-9b to meet management's orderbook guidance of RM40b-45b by end-25, which will likely be fulfilled by several tender outcomes that are pending finalisation.
- **Earnings crystallisation aligning with S-curve methodology; exponential growth only in FY26-27.** Assessing Gamuda's existing project pipelines, earnings growth in FY25 (14%) is relatively modest despite clinching >RM18b in contracts. This is mainly due to multiple flagship projects such as: a) Penang Mutiara LRT Segment 1; b) Upper Padas Hydroelectric Dam; c) data centre (DC) works; and d) Taiwan's rail projects (Xizhi Donghu and Kaohsiung MRT), which have yet to meaningfully scale up. We expect these projects to chart accelerated progress billings in FY26-27, well mirrored in our exponential earnings growth forecast of 20-36%.
- **A prelude to valuations scenario.** Following the impressive share price rally (+244% since 2024), Gamuda is now trading at 22x FY26F PE (+1.5SD above mean). Trailing valuations also trace ex-financials KLCI components' average of 22-23x (assumptions: consensus forward earnings; removing financial stocks as valuation matrices differ using book value). While such valuation premiumisation is fairly justified given its multi-year record-high orderbook and earnings upcycle, capital upside appears modest at this juncture. We opine that further re-rating requires significant earnings enhancement or above-expectations orderbook wins, which may materialise only by 2HFY26.

Key Financials

Year to 31 Jul (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	8,220.4	13,346.7	15,915.9	18,257.0	21,585.5
EBITDA	1,023.0	1,107.8	1,453.5	1,902.8	2,312.4
Operating profit	902.7	945.2	1,265.2	1,709.6	2,120.0
Net profit (rep./act.)	814.7	912.1	1,017.6	1,372.5	1,651.5
Net profit (adj.)	799.5	884.1	1,009.8	1,372.5	1,651.5
EPS	30.0	31.9	18.2	24.8	29.8
PE	15.6	14.7	25.7	22.6	18.8
P/B	1.2	1.1	2.2	2.1	1.9
EV/EBITDA	12.7	12.8	12.2	9.7	8.7
Dividend yield	10.5	3.4	2.1	2.6	3.2
Net margin	9.9	6.8	6.4	7.5	7.6
Net debt/(cash) to equity	37.9	45.8	73.4	75.8	83.0
Interest cover	13.0	6.4	6.8	8.6	8.7
ROE	8.6	9.4	10.2	13.3	15.4
Consensus net profit	n.a	n.a	1,016.3	1,416.2	1,692.1
UOBKH/Consensus (x)	n.a	n.a	1.0	1.0	1.0

Source: Bloomberg, UOB Kay Hian

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Stock Data

GICS Sector	Consumer Discretionary
Bloomberg ticker	GAM MK
Shares issued (m)	5,801.0
Market cap (RMm)	32,253.4
Market cap (US$m)	7,640.6
3-mth avg daily t'over (US$m)	24.4

Price Performance (%)

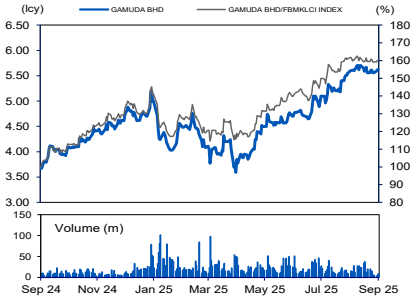
52-week high/low RM4.06/RM2.76

1mth	3mth	6mth	1yr	YTD
0.2	16.6	36.3	50.1	17.3

Major Shareholders %

Employees Provident Fund Board	17.8
Amanah Saham Nasional Bhd	4.1
Generasi Setia M Sdn Bhd	4.0
FY25 NAV/Share (RM)	2.16
FY25 Net Debt/Share (RM)	1.55

Price Chart



Source: Bloomberg

Company Description

Gamuda is a civil engineering construction company with exposure to property development and water concessions.

- **Digesting the winning streaks in newly-secured contracts within FY25.** Solely glancing through FY25, Gamuda clinched over nine contracts valued at about RM17.6b.

Detailed Breakdown Of FY25 Orderbook Wins

Secured Project	Country	Category	Equity Interest	Value (RM'm)	PBT Margin	Completion
Upper Padas Hydroelectric Dam	Malaysia	Water Infrastructure	75%	2,286	8%	Dec 2030
Boulder Creek Wind Farm (via DTI)	Australia	Renewable Energy	100%	702	4-5%	3Q27
Taiwan Xizhi-Donghu MRT	Taiwan	Rail Infrastructure	75%	3,231	8%	4Q31
Cyberjaya Data Centre by BCEI Malaysia	Malaysia	Data Centre	100%	451	10-15%	1Q25
Goulburn River Solar Farm EPC contract (via DTI)	Australia	Renewable Energy	100%	1,800	4-5%	1Q27
Penang LRT Segment 1	Malaysia	Rail Infrastructure	60%	4,989	8%	1Q31
Kaohsiung LNG Terminal	Taiwan	Port Infrastructure	70%	2,600	8%	2030
Ganfeng-Zhongke, Zhongke-Hengshan Underground Transmission Line	Taiwan	Utilities Infrastructure	50%	557	8%	4Q28
Enabling work for Pearl Computing Negeri Sembilan DC	Malaysia	Data Centre	100%	1,000	8%	n.a.
			Total	17,616		

Source: Gamuda, UOB Kay Hian

- **Orderbook sustainability well supported by foreseeable project pipelines.** Moving into FY26, Gamuda secured a RM2.6b orderbook from two contracts last month. Based on the existing foreseeable pipeline, our FY26 orderbook replenishment assumptions of RM20b-25b are likely achievable, with potential upside risk from other domestic works and Australian renewable projects.

Potential FY26 Orderbook Wins

Secured Projects	Country	Category	Equity Interest	Estimated Value (RM'm)	Estimated PBT Margin
2 hyperscale DC at Eco Business Park V	Malaysia	Data Centre	100%	2,138	8%
Northern Coastal Highway, Limbang Work Package Section 1	Malaysia	Highway Infrastructure	30%	500	8%
Potential Projects (UOBKH Assumptions)					
ECI Conversion for Capricornia Pumped Hydroelectric (Gamuda-Ferrovial JV)	Australia	Renewable Energy	50%	4900	10-12%
ECI Conversion for Oven Mountain Pumped Hydroelectric (Gamuda-Ferrovial JV)	Australia	Renewable Energy	50%	4900	10-12%
Penang-Perak Water Infrastructure Project (EPCC works)	Malaysia	Water Infrastructure	100%	5000	10-12%
2 hyperscale DC at Eco Business Park V (M&E works)	Malaysia	Data Centre	100%	2100	8%
Xizhi-Donghu MRT's additional works (Drawdown from remaining RM8.1b)	Taiwan	Rail Infrastructure	75%	3000	8%
Negeri Sembilan DC (first phase)	Malaysia	Data Centre	100%	2000	10-15%
Other Malaysia DC tenders	Malaysia	Data Centre	100%	2000	10%
			Total	26,538	

Source: UOB Kay Hian

Valuation/Recommendation

- **Downgrade to HOLD but with a higher SOTP-based target price of RM5.75 (from RM5.55)** following the share price rally. We have raised our option value for the water concession. Our target price implies 22x FY26F PE (+1.5SD above mean).

Earnings Revision/Risk

- **Earnings revision:** None.

Orderbook as of 3QFY25

Projects	Value RMb	Progress %
Malaysia:		
Penang Mutiara Line (60% share)	4.8	4
Silicon Island Phase 1	3.4	21
Rasau WTP Phase 1	1.3	38
Data Center Projects	1.7	18
Upper Padas Hydro Dam (75% share)	2.2	3
Others	0.0	95
Enabling work for DC campus	1,0	0
Australia:		
SMW-WTP	1.4	84
Coffs Harbour Bypass (50% share)	1.2	47
M1 Motorway (40% share)	0.5	61
DTI projects	7.4	44
Taiwan:		
Seawall reclamation (70% share)	0.2	85
Transmission line (50% share)	0.1	52
Tao Yuan underground (60% share)	1.1	13
Kaoshiung MRT YC01 (88% share)	2.8	1
Xizhi Donghu MRT (75% share)	2.9	4
Singapore:		
Bus depot	0	94
Defu station (60% share)	0.6	43
West Coast Station	1.7	6
Total Orderbook	36	

Source: Gamuda, UOB Kay Hian

Segmental Forecasts

Revenue (RMb)	FY25F	FY26F	FY27F
Engineering & Construction	11.8	13.1	16.3
Property Dev & Club	3.9	5.0	5.1
Water Concession	0.1	0.1	0.1
Total	15.92	18.26	21.59
EBIT (RMb)			
Engineering & Construction	0.68	0.92	1.29
Property Dev & Club	0.50	0.70	0.75
Water Concession	0.08	0.08	0.08
Total	1.27	1.71	2.12

Source: Gamuda, UOB Kay Hian

SOTP Valuations

	RMm	Remarks
Construction	26,088	25x FY26 PE
Property	9,336	10% discount to RNAV
Water concession	322	
Less Net Debt	(4,093)	
Total SOTP value	31,653	
Diluted no. of shares (m)	5,700	
Target Price (RM)	5.55	

Source: Gamuda, UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

• Environmental
- Commits to reducing greenhouse gas emission intensity by 30%/45% in 2025/30.
• Social
- Well-diversified workforce in terms of gender: female (43%) and male (57%).
• Governance
- Independent directors make up 57% of its board.

PROFIT & LOSS

Year to 31 Jul (RMm)	2024	2025F	2026F	2027F
Net turnover	13,347	15,916	18,257	21,585
EBITDA	1,108	1,454	1,903	2,312
Deprec. & amort.	163	188	193	192
EBIT	945	1,265	1,710	2,120
Associate contributions	326	333	341	348
Net interest income/(expense)	(173)	(215)	(219)	(262)
Pre-tax profit	1,097	1,383	1,832	2,206
Tax	(155)	(332)	(412)	(496)
Minorities	(30)	(34)	(45)	(55)
Net profit	912	1,018	1,374	1,655
Net profit (adj.)	914	1,010	1,374	1,655

BALANCE SHEET

Year to 31 Jul (RMm)	2024	2025F	2026F	2027F
Fixed assets	6,013	6,004	6,047	6,095
Other LT assets	2,692	4,101	4,426	4,757
Cash/ST investment	2,596	2,778	3,957	3,956
Other current assets	12,393	19,941	21,965	25,783
Total assets	26,521	33,370	36,941	41,137
ST debt	1,003	2,269	2,646	2,931
Other current liabilities	6,065	9,141	9,949	11,642
LT debt	6,803	9,077	10,585	11,726
Other LT liabilities	664	753	765	796
Shareholders' equity	11,365	11,940	12,761	13,751
Minority interest	156	190	235	290
Total liabilities & equity	26,521	33,370	36,941	41,137

CASH FLOW

Year to 31 Jul (RMm)	2024	2025F	2026F	2027F
Operating	(559)	(2,152)	68	(540)
Pre-tax profit	1,097	1,383	1,832	2,206
Tax	(155)	(332)	(412)	(496)
Deprec. & amort.	152	188	193	192
Associates	(326)	(333)	(341)	(348)
Working capital changes	(1,259)	(3,058)	(1,204)	(2,094)
Other operating cashflows	(69)	0	0	0
Investing	(1,262)	(1,201)	(1,221)	(1,223)
Capex (growth)	(1,132)	(1,201)	(1,221)	(1,223)
Proceeds from sale of assets	39	0	0	0
Others	(169)	0	0	0
Financing	910	2,535	1,331	762
Dividend payments	(74)	(443)	(554)	(664)
Issue of shares	146	0	0	0
Proceeds from borrowings	878	2,978	1,885	1,426
Others/interest paid	(41)	0	0	0
Net cash inflow (outflow)	(911)	182	1,179	(1)
Beginning cash & cash equivalent	2,831	2,596	2,778	3,957
Changes due to forex impact	(34)	0	0	0
Ending cash & cash equivalent	1,886	2,778	3,957	3,956

KEY METRICS

Year to 31 Jul (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	8.3	9.1	10.4	10.7
Pre-tax margin	8.2	8.7	10.0	10.2
Net margin	6.8	6.4	7.5	7.7
ROA	4.2	3.4	4.0	4.3
ROE	9.4	8.7	11.1	12.5
Growth				
Turnover	192.4	19.2	14.7	18.2
EBITDA	23.5	31.2	30.9	21.5
Pre-tax profit	(98.8)	26.1	32.4	20.4
Net profit	30.3	11.6	35.0	20.4
Net profit (adj.)	30.3	14.2	36.1	20.4
EPS	12.8	(42.9)	36.1	20.4
Leverage				
Debt to total capital	67.8	48.3	50.4	51.1
Debt to equity	68.7	95.0	103.7	106.6
Net debt/(cash) to equity	45.8	71.8	72.7	77.8
Interest cover (x)	6.4	6.8	8.7	8.8

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